

Section 3

Classification of WIC Agencies and Selection of States

Assessment of the impact of WIC cost-containment practices will be based on case studies of six States. This section describes the criteria used to classify WIC agencies and select States into the study.

Criteria for State Selection

To estimate the separate impacts of different types of cost-containment practices on study outcomes, it is necessary to select States for the case studies that represent different combinations of vendor and food-item restrictions described in Section 2. Two types of food-item restrictions—least-expensive policies and limits on the number of allowed brands—were deemed sufficiently important to warrant separate examination. Thus, the study defined the following seven combinations of cost-containment practices:

Group	Description	Number of States
VR	Vendor restriction, no severe food item restrictions	7
VR/NC	Vendor restriction, narrow-choice State	8
VR/LE	Vendor restriction, least-expensive policy	8
VR/NC-LE	Vendor restriction, least-expensive policy, narrow-choice State	5
NC-LE	No vendor restriction, least-expensive policy or narrow-choice State	2
M	Medium vendor restrictions, no severe food item restrictions	6
NONE	No vendor restriction, no severe food item restrictions	9

The numbers of States within each category are taken from Exhibit 5 on the next page. This exhibit presents summary information about the types of cost-containment practices adopted by each State. All States lacking severe food item restrictions (groups VR, M and NONE) are presented in the top portion of the exhibit. The remaining States are in the lower portion of the exhibit. The exhibit excludes the following States: Delaware, District of Columbia, Mississippi, Missouri, Rhode Island, and Vermont.¹⁶

Exhibit 5 indicates whether or not competitive pricing is used by each State at vendor application. The exhibit also provides summary information regarding the ratio of WIC to FSP retailers in the State. A State's WIC/FSP ratio for supermarkets is listed as "H" in Exhibit 5 if the ratio is less than 0.93 and "L" if the ratio exceeds 0.99. The grocery store ratio is listed as "H" if the ratio is less than 0.29 and as "L" if the ratio exceeds 0.44. States are considered to have vendor restrictions if they have highly-restrictive (H) competitive pricing, or have highly-restrictive ratios.

¹⁶ Mississippi and Vermont are excluded because they use home delivery systems. Delaware is excluded because it uses a retailer selection practice (price bid contracts) that is not viewed as replicable elsewhere. The District of Columbia is excluded because it contains no rural areas. Finally, Missouri and Rhode Island are excluded because the study was unable to obtain needed information from these two States.

Exhibit 5
Classification of states

Group ^a	Ratio of WIC/FSP retailers ^b		Competitive pricing at application ^c	Item restrictions			Range of choice ^e		
	Super-markets	Grocers		Least expensive brand	Require store brands ^d	Restrict product size ^d	Cold cereals	Adult juices	Rebates on foods
Group "VR"									
Indiana	H	H	H			m,cer,fj			InfCer
Kentucky	H		H			fj			
Maryland	H	H	L			m,fj		Broad	InfCer&J
Massachusetts	H		H	m		cer,fj	Broad		
New Jersey	H	H	L			m,cer,fj			
Ohio	H	H	L			m	Broad	Broad	
Pennsylvania	H	H	L			cer,fj			
Group "M"									
Iowa	L	L	H			fj	Broad		
North Dakota		L				m	Broad		
Tennessee			H			m,cer,fj	Broad	Broad	
Virginia		H	L	m		m,fj			
Washington		H	L			fj		Broad	
West Virginia			H			fj			InfCer&J
Group "NONE"									
Alabama	L		L			m,fj			
Alaska	L		L			fj		Broad	
Michigan	L		L			cer,fj		Broad	
Minnesota	L	L	L			m,cer,fj	Broad	Broad	
Montana	L	L	L				Broad		
North Carolina	L	L		m		cer,fj		Broad	
South Carolina	L		L			fj		Broad	
South Dakota	L	L	L			cer			
Wisconsin	L	L	L			m,fj	Broad	Broad	
Group "VR/NC"									
Arizona		H	L			fj	Narrow		
California	H	H	L	m		m,c,cer,fj	Narrow	Broad	InfCer;j
Hawaii		H	L			m,cer,fj	Narrow	Narrow	
Louisiana			H	m		m,c,fj	Narrow		
Nebraska		L	H		m	fj		Narrow	
New York	H		H			m,cer,fj	Narrow		InfCer
Oregon	H	H				fj		Narrow	
Wyoming		L	L			fj		Narrow(f)	
Group "VR/LE"									
Arkansas	L		H	m,c,e,j		c	Broad		
Colorado	H		H		m,c,e	c,fj	Broad		
Connecticut		L	L	m,c,e,j,pb		cer,fj			InfCer
Florida		H	L	m,e,j		m,cer		Narrow	
Georgia			H	e,j		m,c,cer			
Illinois	H	H	H	m,c		m,fj	Broad	Broad	
Nevada		H	H	m,e,j, pb		cer		Narrow	InfCer
New Hampshire		L	L	m,e,pb		m,fj			
Group "VR/NC-LE"									
Kansas	H		L	m,c,e,j,pb,ic		c,cer,fj	Narrow		
Maine	L	L	H	j		fj,cer	Narrow		
New Mexico			H	m,c,e,j,pb		cer,fj	Narrow	Narrow(f)	
Texas	L	H	H	m,j		m,cer,fj	Narrow	Narrow	InfCer
Utah	L	L	H	m,c,e,j,pb		fj		Narrow(f)	

Exhibit 5 (continued)
Classification of states

Group ^a	Ratio of WIC/FSP retailers ^b		Competitive pricing at application ^c	Item restrictions			Range of choice ^e		
	Super- markets	Grocers		Least expensive brand	Require store brands ^d	Restrict product size ^d	Cold cereals	Adult juices	Rebates on foods
Group "NC-LE"									
Oklahoma	L		H	m,c,e	cer	m,cer,fj	Narrow	Narrow	
Idaho	L	L	L			fj	Narrow		

- a "VR" denotes vendor restrictions in place; "NC" indicates a narrow-choice State; "LE" indicates a least-expensive State.
- b An "H" indicates a highly-restrictive policy in authorizing WIC vendors, with "highly restrictive" defined as having a ratio that falls in the lowest one-third of the distribution of ratio values. Those States whose ratios are in the top one-third of the distribution are labeled as "L," or having less-restrictive policies. States with neither an "H" nor an "L" have ratios falling in the middle one-third of the distribution.
- c "H" denotes "highly-restrictive": prices must be within 10 percent or less of average prices. "L" denotes "less-restrictive": criteria range from "within 15 percent of average" to "within 30 percent of average."
- d Definitions: m = milk, c = cheese, e = eggs, j = juice, pb = peanut butter, cer = cereal, ic = infant cereal, fj = frozen juice.
- e "Narrow" denotes the number of allowed national brand products is less than 14 for cold cereals and less than 23 for adult juices. *Narrow* (in italics) denotes that least-expensive-brand policy is holding down the number of allowed national brands. *Narrow (f)* denotes that only frozen juice is allowed.

The sections below discuss the selection of six study States within the seven classification groups. In making the selections, a number of different selection criteria were used. The most important criteria were:

- In States using vendor- or item-selection policies, the policies be restrictive and therefore more likely to have measurable effects. In assessing the restrictiveness of vendor-selection policies, the study gave more weight to the ratios of WIC vendors to FSP retailers (a comparable measure across all States) than to stated policies in WIC manuals.
- One State be selected from each classification group except group M, whose States' vendor-selection practices are not restrictive.
- As a group, the six selected States include some States with larger WIC caseloads so that the cost-containment practices examined are those that affect a significant number of WIC participants.
- Insofar as possible while meeting the above criteria, the selected States be geographically diverse.
- Again, insofar as possible while meeting the above criteria, the selected States have WIC caseloads with diverse racial and ethnic backgrounds.
- Finally, if possible, at least one of the selected States has an electronic benefits transfer (EBT) system capable of handling WIC transactions.

To assist in the following discussion, Exhibit 6 shows, for each State, the size of the WIC caseload (and whether it increased or decreased between 1996 and 1998), the distribution of WIC participants across racial/ethnic categories, and the percentage of WIC participants served by local agencies located in a metropolitan area.

State Recommendations

This section uses the group classification scheme above to discuss the selected States.

Group VR: Vendor Restriction, No Severe Food Item Restrictions

The study selected Ohio within group VR. With a supermarket WIC/FSP ratio of 0.55 and a grocery store ratio of 0.20, Ohio appears to have very restrictive vendor-selection policies. Furthermore, with a “broad” designation for both ranges of food choice, the State has very few restrictions on food items. Ohio, which is in the Midwest region, is interesting as well because it is relatively large (257,222 WIC participants) and expects to have a WIC EBT system in place by 2001. The study hopes to use the EBT data to supplement collected scanner data for the investigation of impacts on partial redemptions of WIC vouchers.

Group VR/NC: Vendor Restriction, Narrow-Choice Policy for Item Selection

California was selected to represent group VR/NC. With WIC/FSP ratios of 0.89 and 0.14 for supermarkets and grocery stores, respectively, its vendor-selection policies are restrictive. California also offers only a narrow choice of food items within the cold cereal category.

California was selected for several other reasons as well. First, the study wants to include at least one of the four big WIC caseload States of California, Texas, New York and Florida. With 1,346,740 WIC participants, California has the largest WIC caseload in the country. Second, California is one of only two States within the group to use food rebates. Third, California has had an interesting experience with its juice rebate contracts; State officials should be able to provide useful information regarding food rebates and their administrative costs. Finally, California increases the study’s geographical mix by representing the Western region.

Group VR/LE: Vendor Restriction, Least-Expensive Policy for Item Selection

The study selected Connecticut to represent group VR/LE for several reasons. First, Connecticut uses a least-expensive-brand policy for more WIC food items than any other State in the group. Second, it is only one of two States in the group that uses manufacturers’ rebates for infant cereal. Third, with the inclusion of the large WIC caseload States of California and Texas, a State with a small caseload (59,297 WIC participants) should be included to examine the potential difficulties of implementing cost-effective cost-containment policies in a small State. Finally, Connecticut serves as a representative of the North-east region.

Exhibit 6

WIC participant characteristics

State	Number of participants	Percentage of national caseload	Percent change, 1996-98	Percentage by race ^a					Distribution of state caseload by local agency service area		
				White	Black	Hispanic	Asian	American Indian	Metro	Non-Metro	Mixed
Northeast											
Connecticut	59,297	0.7	-0.4	33.5	29.9	35.2	1.2	0.2	99.8	-	-
Maine	26,712	0.3	-3.4	96.3	1.2	0.7	0.9	0.4	-	15.7	84.3
Massachusetts	131,309	1.6	1.0	48.7	18.5	27.1	5.6	0.2	95.1	-	2.7
New Hampshire	18,722	0.2	-2.7	98.5	0.4	0.8	0.2	0.0	55.6	20.3	24.1
New York	531,890	6.6	1.5	29.6	29.1	31.8	5.4	0.5	84.2	5.4	9.4
Rhode Island	23,363	0.3	-4.3	50.3	14.3	30.9	4.0	0.4	100.0	-	-
Vermont	16,469	0.2	8.4	97.6	0.8	0.3	1.1	0.2	26.6	73.4	-
Mid-Atlantic											
Delaware	16,299	0.2	4.5	39.3	42.2	14.4	0.5	0.1	74.5	25.5	-
Dist. of Columbia	17,739	0.2	-0.0	1.3	81.6	15.6	1.4	0.2	NA	NA	NA
Maryland	96,344	1.2	8.8	34.4	53.7	9.6	2.1	0.2	90.4	7.3	-
New Jersey	148,776	1.8	-4.2	23.2	34.8	37.3	3.7	0.6	98.0	-	-
Pennsylvania	257,406	3.2	-3.8	63.7	25.1	9.2	1.8	0.2	56.2	7.1	36.6
Virginia	162,704	2.0	4.9	45.7	42.0	9.3	2.2	0.2	59.2	14.3	26.5
West Virginia	54,441	0.7	-0.2	93.4	5.5	0.3	0.5	0.1	-	49.9	50.1
Southeast											
Alabama	117,814	1.5	-11.5	47.6	48.5	2.6	1.0	0.3	58.1	41.9	-
Florida	402,403	5.0	4.3	40.0	33.6	25.1	1.1	0.2	93.1	6.9	-
Georgia	267,094	3.3	9.6	36.5	51.0	10.1	1.4	0.1	36.2	12.8	51.0
Kentucky	127,251	1.6	2.6	85.9	12.2	1.2	0.5	0.1	30.6	58.5	10.4
Mississippi	107,412	1.3	3.8	36.0	62.7	0.8	0.4	0.1	37.8	61.0	-
North Carolina	223,900	2.8	2.7	44.2	40.3	11.8	1.7	1.9	56.8	37.7	5.5
South Carolina	120,434	1.5	-2.2	42.3	54.1	2.9	0.6	0.2	22.9	6.8	70.3
Tennessee	163,593	2.0	15.7	66.8	31.0	1.9	0.3	0.0	40.3	11.1	48.6
Midwest											
Illinois	277,059	3.4	5.2	32.3	33.6	29.8	1.7	0.1	82.6	14.9	0.8
Indiana	151,030	1.9	-1.2	71.9	19.6	7.0	0.4	0.1	55.1	17.1	24.9
Michigan	244,198	3.0	2.7	59.7	31.8	6.7	1.1	0.6	75.2	18.6	6.2
Minnesota	99,304	1.2	-3.5	63.8	13.2	9.2	9.6	4.2	62.7	35.3	1.3
Ohio	257,222	3.2	-2.9	65.4	29.4	3.1	0.6	0.1	77.0	19.7	3.4
Wisconsin	114,664	1.4	6.0	56.6	23.9	11.0	6.0	2.5	62.2	25.7	9.2
Mountain Plains											
Colorado	86,173	1.1	11.2	50.4	7.0	38.2	1.8	0.8	47.8	22.4	29.7
Iowa	65,340	0.8	-0.9	81.0	7.0	9.5	2.0	0.5	22.0	36.3	27.8
Kansas	53,110	0.7	-5.5	62.5	13.7	20.8	2.1	0.9	19.8	49.9	24.4
Missouri	151,712	1.9	0.3	70.8	24.1	3.1	0.8	0.2	55.5	40.3	-
Montana	21,750	0.3	2.9	72.6	0.9	3.0	0.8	22.6	20.6	66.0	13.3
Nebraska	31,074	0.4	-17.3	64.5	11.9	19.0	1.9	1.3	48.0	37.7	14.3
North Dakota	14,606	0.2	-9.2	77.2	2.7	4.0	1.0	15.1	24.9	62.4	12.7
South Dakota	18,909	0.2	-11.5	69.1	2.2	2.2	0.6	25.9	32.7	65.1	-
Utah	58,627	0.7	4.7	68.3	1.2	24.0	2.8	2.2	61.5	20.0	18.6
Wyoming	11,165	0.1	-5.3	79.4	2.0	14.2	0.6	1.3	32.5	67.5	-
Southwest											
Arkansas	90,488	1.1	-0.9	61.2	31.6	6.3	0.6	0.3	41.1	58.9	-
Louisiana	138,781	1.7	1.1	39.2	58.2	1.6	0.8	0.3	61.0	33.1	-
New Mexico	68,119	0.8	-2.5	22.8	2.5	70.2	0.8	3.6	52.4	47.0	-
Oklahoma	89,379	1.1	-3.1	67.3	15.5	10.3	1.7	4.5	NA	NA	NA
Texas	739,400	9.2	-0.1	19.5	14.1	63.7	1.3	0.1	41.1	4.3	51.6

Exhibit 6 (continued)

WIC participant characteristics

State	Number of participants	Percentage of national caseload	Percent change, 1996-98	Percentage by race ^a					Distribution of state caseload by local agency service area		
				White	Black	Hispanic	Asian	American Indian	Metro	Non-Metro	Mixed
Western											
Alaska	23,960	0.3	4.6	47.4	7.3	5.8	4.1	33.1	NA	NA	NA
Arizona	125,091	1.6	-1.5	31.5	5.0	60.3	1.0	2.3	83.5	11.5	-
California	1,346,740	16.7	14.7	13.7	8.8	70.2	6.4	0.6	97.3	2.7	-
Hawaii	39,728	0.5	43.4	17.1	4.9	4.4	72.3	0.3	NA	NA	NA
Idaho	34,509	0.4	-4.0	70.9	0.9	24.6	0.9	2.7	-	46.0	54.0
Nevada	47,539	0.6	36.3	37.4	13.1	45.9	3.0	0.7	86.1	-	13.9
Oregon	92,407	1.1	7.0	66.7	3.3	25.0	3.1	1.9	66.1	33.9	-
Washington	163,969	2.0	11.7	53.2	7.2	24.0	5.7	3.3	74.7	17.9	-

a Racial composition percentages do not sum to 100 percent because cases with missing data are not included in the table.

Source: PC98 Survey of State Agencies and PC98 WIC participant characteristics data submission.

Group VR/NC-LE: Vendor Restriction, Both Least-Expensive and Narrow-Choice Policies for Item Selection

The study selected Texas to represent this group for a number of reasons. First, Texas uses competitive pricing at application to exclude high-cost stores. With WIC/FSP ratios of 1.01 for supermarkets and 0.13 for grocery stores, this policy has been very effective within the grocery store segment of the industry. Second, Texas uses a variety of stringent food item restrictions, including least-expensive brand for milk and juice, and a narrow choice of brands for both cold cereals and adult juices. Third, the State also uses manufacturers' rebates for infant cereal. Together, these practices enable Texas to have one of the lowest average food package costs in the entire WIC Program. Fourth, with a WIC caseload of 739,400, Texas is the second largest WIC State in the country.

Group NC-LE: No Vendor Restriction, Least-Expensive Policy or Narrow-Choice Policy for Item Selection

As shown in Exhibit 5, only Oklahoma and Idaho fall into the group of States with few or no vendor restrictions, but either a least-expensive-brand policy or a narrow-choice policy for food item selection. Oklahoma is clearly the preferred choice within this group. It is the only State in the country to restrict national brands of cold cereals completely, which is one of the more hotly-contested of all cost-containment practices. With a WIC caseload of 89,379, Oklahoma is also more suitable than Idaho, whose caseload of 34,509 makes it one of the smallest WIC States in the country.

Together, Oklahoma and Texas represent the Southwest region. Selecting another State as a substitute for Texas in order to introduce more geographical variation was considered, but the advantages of selecting Texas outweighed the relatively minor disadvantage of selecting two States from the same region.

Group M: Medium Vendor Restrictions, No Severe Food Item Restrictions

The study did not select a State from group M because the six States in this group generally have vendor-selection practices that are only moderately restrictive. To estimate the impacts of cost-containment practices on outcome measures, the study wanted to include only States with very restrictive practices or no practices at all.

Iowa's ratios of WIC vendors to FSP retailers suggest a non-restrictive set of vendor-selection policies, but its WIC manual indicates use of a highly restrictive competitive pricing policy at application. In addition, Virginia and Washington have restrictive WIC/FSP ratios for grocery stores, but less restrictive policies regarding competitive pricing at application. The lack of consistency in these measures of restrictiveness led to these States being classified in this group.

Group NONE: No Vendor Restriction, No Severe Item Restriction

There were several States available to represent this group. The study selected North Carolina, in part because it is the only State in the group that has no stated vendor restriction policy. Two other advantages for selecting North Carolina are that it will represent the Southeast region and that it has a relatively large African-American caseload, which will help balance out the overall demographic characteristics of the States selected for the study.

Summary of Selected States

Summary characteristics of the six selected case-study States are presented in Exhibit 7. The six States represent, as planned, a mixture with respect to caseload size, the vendor restrictions they implement, and the food item restrictions they implement. As shown in Exhibit 8, the States also show diversity with respect to the racial/ethnic composition of their WIC caseloads.

Together, the six States serve about one-third of all WIC participants in the nation. They include two very large States (California and Texas), two relatively small States (Connecticut and Oklahoma), and two medium size States (North Carolina and Ohio). The study will thus be able to assess the impacts of cost-containment practices across a wide spectrum of caseload size as well as region of the country. Furthermore, even though the States have been specifically selected to represent a wide set of cost-containment practices, study results will be representative of a large percentage of the overall WIC caseload.

The first four States in Exhibit 7 (Ohio, California, Connecticut, and Texas) have restrictive vendor selection policies. Compared to the number of FSP retailers authorized to participate in WIC, these States authorize relatively few supermarkets, grocery stores, or both--as evidenced by their ratios of WIC to FSP stores. Furthermore, Texas uses a highly restrictive pricing criterion at application. Although Oklahoma also has a highly-restrictive pricing policy in its manual, the policy is applied only at vendor reauthorization, and Oklahoma's ratios of WIC to FSP stores are high enough that it would be misleading to view its vendor selection policies overall as highly restrictive. North Carolina does not use a pricing criterion when evaluating vendor applicants.

Exhibit 7**Summary information on selected case study states**

	WIC caseload	Vendor restrictions			Food item restrictions	
		Ratio of WIC/FSP retailers		Competitive pricing at application	Least-expensive policy	Brand choice
		Super-markets	Grocery stores			
Ohio	257,222	0.55	0.20	Less restrictive	None	Broad
California	1,346,740	0.89	0.14	Less restrictive	Milk	Narrow
Connecticut	59,297	0.93	0.70	Less restrictive	Milk, eggs, cheese, juice, peanut butter	Medium
Texas	739,400	1.01	0.13	Highly restrictive	Milk, juice	Narrow
Oklahoma	89,379	1.04	0.44	Highly restrictive ^a	Milk, eggs, cheese	Narrow
North Carolina	223,900	1.01	0.62	None used	Milk	Broad

^a Oklahoma uses competitive pricing at reauthorization only.

The six selected States also vary considerably in their food selection policies. Ohio, California, and North Carolina either do not require WIC participants to purchase the least-expensive brand of a food item, or the least-expensive-brand policy applies only to milk. In contrast, Connecticut requires that WIC participants purchase the least-expensive brand of milk, eggs, cheese, juice, and peanut butter. Texas imposes the least-expensive-brand policy for both milk and juice, and Oklahoma imposes least-expensive brands for milk, eggs, and cheese.

In terms of restrictions on which brands of food WIC participants may purchase with their food instruments, three of the States (California, Texas, and Oklahoma) offer a narrow choice of food items, and the other three (Ohio, Connecticut, and North Carolina) offer a medium or broad choice of items. In addition, though not shown in the exhibit, three of the States (California, Connecticut, and Texas) either have current or prior contracts for manufacturers' rebates on infant cereal. These rebates act to limit brand choice, and the study will be able to collect information from the States on the perceived advantages and disadvantages of such rebates.

Finally, as shown in Exhibit 8, the six States also show diversity with respect to the racial/ethnic composition of their WIC caseloads. Two State WIC caseloads are predominantly Caucasian (Oklahoma and Ohio); two caseloads are predominantly Hispanic (California and Texas); and three caseloads include substantial representation by black participants (North Carolina, Connecticut, and Ohio). The percentage of white Caucasian WIC participants varies from a low of 13.7 percent in California to a high of 65.4 percent in Ohio. Black participants represent from 8.8 percent of WIC participants in California to 40.3 percent of participants in North Carolina. At 3.1 percent of the caseload, Hispanic participants represent only a small portion of the Ohio WIC caseload, but they represent 70.2 percent of the caseload in

California. This diversity ensures that the impacts of WIC cost-containment practices will be assessed across the main racial/ethnic categories of the WIC population.

Exhibit 8

Racial/Ethnic composition of WIC caseloads

